

## EXECUTIVE SUMMARY

Idaho's economy is expected to grow much faster in the earlier years of the forecast period than had been predicted just a several months ago. In the January 2000 *Idaho Economic Forecast*, Idaho nonfarm employment was forecast to grow by 2.7% in 1999, 2.1% in 2000, 2.1% in 2001, 2.4% in 2002, and 2.5% in 2003. This forecast has been updated, and now shows Idaho nonfarm employment rising by 3.5% in 1999, 3.4% in 2000, 2.1% in 2001, 2.5% in 2002, and 2.3% in 2003. Given the improved outlook for employment, it should not come as a surprise that Idaho income growth has also been slightly raised. Previously, Idaho nominal personal income was forecast to rise by 6.3% in 1999, 5.6% in 2000, and between 5.5% and 6.0% from 2001 to 2003. In the current forecast, Idaho nominal income rises by 7.5% in 1999, 7.4% in 2000, and averages about 6.0% in the remaining years of the forecast. In inflation-adjusted terms, Idaho personal income is expected to average 4.5% growth over the forecast period, which is noticeably higher than the 3.7% rate that was previously forecast.

Despite being ancient by historical standards, the current U.S. expansion shows no signs of ending. This is because expansions do not simply die of old age. They end due to unforeseen pressures or policy mistakes. The U.S. economy appears fundamentally sound, with none of the telltale signs that traditionally occur toward the end of an expansion, such as rising inflation. While tempting, it is too early to declare the business cycle dead. Instead, fundamentals point to the business cycle continuing its current favorable phase. The short-term outlook for the U.S. economy is bullish. Although the rate of growth is expected to cool, the current expansion should continue through 2003. With inflation low and the economy sound, the central bank has enough leeway to provide for a "soft landing" should the need arise. Also, past expansions appear to have required at least two years of rising inflation to cause the Federal Reserve to overreact. Even if the fourth quarter 1999 data did indeed represent the start of such an inflationary cycle, the economy would probably still have clear running until late 2001.

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

APRIL 2000

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>GDP (BILLIONS)</b>										
Current \$	7,054	7,401	7,813	8,301	8,760	9,255	9,789	10,234	10,758	11,324
% Ch	7.6%	4.9%	5.6%	6.2%	5.5%	5.6%	5.8%	4.5%	5.1%	5.3%
1992 Chain-Weighted	6,729	6,912	7,165	7,488	7,810	8,131	8,488	8,733	9,009	9,285
% Ch	5.3%	2.7%	3.7%	4.5%	4.3%	4.1%	4.4%	2.9%	3.2%	3.1%
<b>PERSONAL INCOME - CURR \$</b>										
Idaho (Millions)	20,628	22,062	23,418	24,651	25,901	27,836	29,889	31,662	33,573	35,607
% Ch	5.9%	7.0%	6.1%	5.3%	5.1%	7.5%	7.4%	5.9%	6.0%	6.1%
Idaho Nonfarm (Millions)	19,979	21,371	22,644	23,958	25,254	27,055	29,116	30,860	32,747	34,759
% Ch	8.9%	7.0%	6.0%	5.8%	5.4%	7.1%	7.6%	6.0%	6.1%	6.1%
U.S. (Billions)	5,888	6,201	6,547	6,951	7,359	7,791	8,281	8,713	9,148	9,622
% Ch	7.4%	5.3%	5.6%	6.2%	5.9%	5.9%	6.3%	5.2%	5.0%	5.2%
<b>PERSONAL INCOME - 1992 \$</b>										
Idaho (Millions)	19,674	20,582	21,412	22,170	23,075	24,409	25,723	26,761	27,737	28,732
% Ch	3.7%	4.6%	4.0%	3.5%	4.1%	5.8%	5.4%	4.0%	3.6%	3.6%
Idaho Nonfarm (Millions)	19,055	19,937	20,704	21,547	22,499	23,724	25,057	26,083	27,055	28,048
% Ch	6.7%	4.6%	3.8%	4.1%	4.4%	5.4%	5.6%	4.1%	3.7%	3.7%
U.S. (Billions)	5,616	5,785	5,986	6,251	6,556	6,832	7,135	7,372	7,566	7,772
% Ch	5.2%	3.0%	3.5%	4.4%	4.9%	4.2%	4.4%	3.3%	2.6%	2.7%
<b>HOUSING STARTS</b>										
Idaho	12,768	9,365	9,227	8,860	10,134	10,284	9,950	10,098	9,989	10,036
% Ch	11.5%	-26.7%	-1.5%	-4.0%	14.4%	1.5%	-3.2%	1.5%	-1.1%	0.5%
U.S. (Millions)	1.446	1.361	1.469	1.475	1.621	1.674	1.609	1.527	1.532	1.572
% Ch	12.0%	-5.9%	7.9%	0.4%	9.9%	3.3%	-3.9%	-5.1%	0.4%	2.6%
<b>TOTAL NONFARM EMPLOYMENT</b>										
Idaho (Thousands)	461.2	477.4	492.6	508.8	521.6	539.6	557.7	569.6	583.5	597.2
% Ch	5.6%	3.5%	3.2%	3.3%	2.5%	3.5%	3.4%	2.1%	2.5%	2.3%
U.S. (Millions)	114.1	117.2	119.6	122.7	125.8	128.6	131.5	133.3	134.9	136.6
% Ch	3.1%	2.7%	2.1%	2.6%	2.6%	2.2%	2.2%	1.4%	1.2%	1.2%
<b>FINANCIAL MARKETS</b>										
Federal Funds Rate	4.2%	5.8%	5.3%	5.5%	5.4%	5.0%	6.2%	6.5%	5.9%	5.7%
Bank Prime Rate	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	9.2%	9.5%	9.0%	8.8%
Mort Rate, New Homes	7.5%	7.9%	7.8%	7.7%	7.1%	7.1%	8.0%	8.0%	7.7%	7.5%
<b>INFLATION</b>										
GDP Price Deflator	2.1%	2.1%	1.8%	1.7%	1.2%	1.4%	1.5%	1.6%	1.9%	2.1%
Personal Cons Deflator	2.1%	2.2%	2.0%	1.7%	0.9%	1.6%	1.9%	1.8%	2.3%	2.4%
Consumer Price Index	2.6%	2.8%	2.9%	2.3%	1.6%	2.2%	2.4%	2.2%	2.5%	2.6%

**National Variables Forecast by Standard and Poor's DRI**  
**Forecast Begins the FOURTH Quarter of 1999**

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

APRIL 2000

	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP (BILLIONS)</b>												
Current \$	9,621	9,742	9,847	9,947	10,072	10,171	10,284	10,407	10,552	10,685	10,824	10,970
% Ch	5.1%	5.1%	4.4%	4.1%	5.1%	4.0%	4.5%	4.9%	5.7%	5.2%	5.3%	5.5%
1992 Chain-Weighted	8,391	8,464	8,522	8,577	8,645	8,698	8,760	8,828	8,903	8,972	9,043	9,118
% Ch	4.5%	3.5%	2.8%	2.6%	3.2%	2.5%	2.9%	3.1%	3.5%	3.1%	3.2%	3.4%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	29,245	29,710	30,095	30,505	30,997	31,426	31,872	32,353	32,848	33,326	33,813	34,304
% Ch	8.7%	6.5%	5.3%	5.6%	6.6%	5.7%	5.8%	6.2%	6.3%	6.0%	6.0%	5.9%
Idaho Nonfarm (Millions)	28,437	28,930	29,350	29,746	30,215	30,632	31,069	31,526	32,033	32,507	32,985	33,465
% Ch	8.6%	7.1%	5.9%	5.5%	6.4%	5.6%	5.8%	6.0%	6.6%	6.1%	6.0%	5.9%
U.S. (Billions)	8,105	8,232	8,343	8,446	8,562	8,661	8,762	8,867	8,984	9,092	9,201	9,315
% Ch	7.0%	6.4%	5.5%	5.0%	5.6%	4.7%	4.7%	4.9%	5.4%	4.9%	4.9%	5.0%
<b>PERSONAL INCOME - 1992 \$</b>												
Idaho (Millions)	25,333	25,621	25,842	26,094	26,397	26,639	26,876	27,131	27,380	27,616	27,856	28,094
% Ch	6.9%	4.6%	3.5%	4.0%	4.7%	3.7%	3.6%	3.9%	3.7%	3.5%	3.5%	3.5%
Idaho Nonfarm (Millions)	24,633	24,948	25,202	25,445	25,731	25,966	26,199	26,438	26,701	26,937	27,174	27,407
% Ch	6.9%	5.2%	4.1%	3.9%	4.6%	3.7%	3.6%	3.7%	4.0%	3.6%	3.6%	3.5%
U.S. (Billions)	7,030	7,106	7,171	7,232	7,299	7,350	7,396	7,444	7,497	7,542	7,588	7,637
% Ch	5.8%	4.4%	3.7%	3.5%	3.7%	2.8%	2.6%	2.6%	2.9%	2.5%	2.5%	2.6%
<b>HOUSING STARTS</b>												
Idaho	9,926	9,865	9,941	10,067	10,164	10,190	10,091	9,948	9,896	9,927	10,020	10,113
% Ch	-8.7%	-2.5%	3.2%	5.2%	3.9%	1.0%	-3.8%	-5.5%	-2.1%	1.3%	3.8%	3.8%
U.S. (Millions)	1,649	1,635	1,589	1,563	1,547	1,533	1,516	1,512	1,516	1,525	1,536	1,552
% Ch	-7.8%	-3.2%	-10.9%	-6.4%	-4.0%	-3.5%	-4.4%	-1.0%	1.1%	2.3%	3.1%	4.2%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho (Thousands)	552.7	557.0	559.4	561.6	564.7	567.8	571.1	574.6	578.3	581.9	585.4	588.7
% Ch	3.8%	3.1%	1.8%	1.5%	2.2%	2.2%	2.4%	2.5%	2.5%	2.5%	2.4%	2.3%
U.S. (Millions)	130.4	131.3	131.9	132.4	132.8	133.1	133.5	133.9	134.3	134.7	135.1	135.5
% Ch	2.4%	2.8%	1.9%	1.4%	1.2%	1.1%	1.1%	1.2%	1.2%	1.2%	1.1%	1.3%
<b>FINANCIAL MARKETS</b>												
Federal Funds Rate	5.8%	6.2%	6.5%	6.5%	6.5%	6.5%	6.5%	6.4%	6.2%	6.0%	5.8%	5.7%
Bank Prime Rate	8.8%	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.4%	9.2%	9.0%	8.9%	8.8%
Mort Rate, New Homes	7.8%	8.1%	8.2%	8.2%	8.1%	8.0%	7.9%	7.9%	7.8%	7.7%	7.6%	7.5%
<b>INFLATION</b>												
GDP Price Deflator	1.2%	1.5%	1.6%	1.5%	1.9%	1.5%	1.6%	1.7%	2.1%	2.0%	2.0%	2.1%
Personal Cons Deflator	1.6%	1.8%	1.7%	1.5%	1.8%	1.9%	2.1%	2.2%	2.4%	2.4%	2.4%	2.4%
Consumer Price Index	2.2%	2.3%	2.2%	2.0%	2.1%	2.1%	2.4%	2.4%	2.6%	2.5%	2.5%	2.6%

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